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IN-STORE SERVICES: UNDERSTANDING THE COMPETITIVE LANDSCAPE IN EUROPE

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Abstract

Private labels have changed the landscape of the retail industry, either in terms of customers' preferences, retailers' business models, manufacturers, and their relationships. Europe has been considered a successful market regarding the penetration of store brands, which questions whether Daymon Worldwide, whose core business is the strategic development and branding of private labels, is able to add value to this continent. In this paper, the in-store environment of Portuguese and Spanish retailers is analyzed, as well as execution and customer engagement services being offered in the market, to develop six go-to-market strategies that two business units (SAS and Interaction) could include in their portfolio as a first step for Daymon to prove its competencies and penetrate Europe.

Keywords: Daymon Worldwide, in-store services, customer engagement, execution, go-to-market strategy, retail business

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Brief Context

Client

Peter Daymon Schwartz and Milt Sender founded Daymon Worldwide (DW) in 1970 with two very specific, innovative and pioneer visions at that time: first to maximize the market potential of private brands; secondly, to help their partners to strategically develop their own brands and capture value from it with sustainable sales (DW, 2016). In fact, these two visionaries recognized that private labels were simply viewed as tools to catch-up with manufacturers brands as their potential was not being fully leveraged. They lacked in terms of proper segmentation, targeting, and a positioning able to attract and retain customers, resulting in a low differentiation among competing retailers. The years have passed and “*what’s next in retail?*” became a fundamental question for DW as it observed and foreseen changes in the retail industry. Consequently, DW’s portfolio of services has been expanding from customized private brand development to strategy & branding, sourcing solutions, retail driven services and consumer experience marketing to anticipate future market trends and, in turn, to better prepare retailers to solve their needs. This expansion to its five business units (Daymon PBD, Galileo, Interactions, SAS, Omni - Appendix 1) positioned DW as the only company with an array of services that touches every single aspect of the retail experience with a customized size to each partner: insights, ideation, development, activation and management. In addition, synergies are created by the transfer of skills and expertise among the different units, allowing DW to benefit from a stronger corporate advantage (Porter). Currently, DW is the global leader in consumables retailing. It is present in 51 countries and it counts with more than 200 offices (Appendix 2).

Market overview

Global Overview

The market of private labels has been under a process of dramatic changes for the last 45 years. If, in the 1970 retailer brands were called generics for being low-priced and associated with weak quality nowadays retailers look at them as strategic weapons to increase their margins and as a way to drive customers’ store choice. In fact, according to a Mckinsey study, retailers own brands’ margins are typically more than 20% higher than those of similar branded products.

Retailers started pursuing distinct strategies regarding their offer of private labels to differentiate from

competitors. For instance, some developed a broad portfolio of products from different categories to have a large representativeness of shelf-space in their own stores. This is the case of discounters as Lidl that also offers different tiers from lower to higher quality and where there is little endorsement of the insignia of the store. Others, as Pingo Doce in Portugal, decided to develop strategically one tier that uses the store's insignia competing with its suppliers on the shelves. Across categories, customers can find here a consistent level value for money to leverage a positive perception and association of both the store and every product displaying the Pingo Doce brand.

Geographically, although the perception of private labels has improved (Appendix 3), its market share distribution is not equally divided worldwide. North America, Australia and Europe represent the most developed regions where the expansion and consolidation of the discounters channel have been fuelling the penetration of the market for private brands. In contrast, Asian and Middle East consumers are strongly loyal to their brands, showing a higher resistance to change. Narrowing to Europe, the penetration is still heterogeneous: the highest values of share are observed on the West while the East presents lower values ranging from 24% to 5% (Appendix 4).

Porter's 5 Forces Analysis

The model of Porter's 5 forces analyses the attractiveness of an industry by understanding the ability of each force to appropriate value from it. In this section, this framework is applied to a segment of the industry of consumable distributors: the private label distributors in Portugal and Spain.

In Portugal, private labels have presented a positive trend: their market share increased 10% in 5 years and in 2014 they represented 43.6% of the market of consumable goods (Appendix 5-A) (Nielsen, 2014). However, unless a relevant strategic change occurs, this growth might contract due to two main reasons. Firstly, with the economic recovery, consumers start valuing more quality, differentiated flavor and freshness. Secondly, national brands understood that culturally, Portuguese shoppers are more price sensitive than brand loyal compared to other European countries, incentivizing these companies to adjust and to start engaging more in price promotions (Euromonitor, 2015).

Regarding Spain, the growth rate of the market share of private labels was smaller for the same period, but in absolute terms higher than in Portugal, reaching 52% of the market in 2014 (Appendix 5-B) (Nielsen 2014, Kantar 2016). One of the challenges in Spain will be the prospects of economic growth

where customers are expected to spend more time socializing outside their homes, benefiting the foodservice channel in the detriment of retailing (Euromonitor, 2016).

Internal rivalry: This is usually at the inter-store level, where one retailer competes directly with other retailers that also invest to sell their private labels. In Portugal the two leaders are domestic chains that together account for nearly 35% of the market (Planet Retail, 2015) and the top five together for 60%. In Spain, Mercadona leads with 22% while Carrefour, the next biggest player, accounts only for 8,6%. (Appendix 6) Given the low number of big players, the internal rivalry should be low and this is correlated with the high penetration of private labels once this business requires a large scale to pay-off the product innovation, consumer research and marketing to build brand equity. (Nielsen, 2014). However, discounters are expanding and the largest share of their assortment is composed by their own brands, pressuring competing retailers to increase the value they deliver to costumers (e.g. Lidl) (Appendix 7 A-B). Overall, internal rivalry is low to moderate in both countries due to the retail industry's high concentration but the growth of discounters might increase it.

Threat of new entries: As previously mentioned, since to be competitive private label distributors retailers need to reach a certain level of scale, the bulky initial investment to a new comer would need to incur to raise this business represents a huge barrier. Furthermore, brand equity of a private label is a resource with a *path dependency accumulation* that gives a competitive advantage for incumbents. That is, an asset that cannot be instantly acquired, but rather need to be built, and cannot be replicated just by spending huge sums of money in advertising campaigns (Collis & Montgomery). Thus, overall, the threat of new entries is low.

Threat of substitutes: This usually occurs as intra-store competition, where within the same selling space, private and national brands directly compete with each other. In general, the increase in private labels' market penetration is translated into a squeeze from small and med-sized brands, while the category leaders remained their positions (Nielsen, 2014). The switching costs from private to national brands are relatively low, even though non-tangible benefits are perceived by customers and significantly differ across categories. On one hand, the national brands usually invest more in innovation, new launches and marketing activities to increase their brand equity, making customers to perceive a better quality which pays-off in categories as hair care. On the other hand, price is still a

criterion that shoppers use to choose whether to purchase private or national brands within other categories. In fact, private labels have been more successful in commodity products where customers perceive little differentiation and an opportunity to save money, as the case of milk (Nielsen, 2014). Overall, the threat of substitutes seems to be high, but a closer look shows that this might significantly vary from category to category which suggests, at least, two possible future scenarios. Firstly, one where private labels change their strategies to be perceived as closer substitutes to national brands, due to a visible higher investment in innovation, for instance. Secondly, one scenario where the market observes a higher specialization of portfolio of products of consumable producers: national brands expanding and focusing on categories where differentiation is more valued and disinvesting in commodity categories to leave this share for private labels.

Bargaining power of buyers: Overall, since the concentration of the distributors is higher than the one of buyers this leaves the latter with a relatively low bargaining power.

Bargaining power of suppliers: Distributors of private labels have usually two types of suppliers: for raw materials and for competencies. Regarding the former one, the bargaining power is balanced. Each retailer with a large market share might represent an important client for that supplier and if not satisfied with the agreed conditions, more suppliers can be found, both nationally or internationally, which attributes negotiation power to retailers. Additionally, these suppliers have also the possibility to sell their raw materials to both national and international retailers, which gives them some power too. However, the group of suppliers of competencies shows a higher bargaining power since retailers usually have knowledge and expertise in terms of distribution when they sell their space for national brands to reach the final demand, but not to develop their own products. Farther, developing these competencies internally can be very costly and take too long, leaving retailers to lose their opportunities (McKinsey, 2013). This group of suppliers is usually called third party providers and it includes companies with expertise in marketing and branding, an established network of producers to source their operations, market research companies to understand the features and specifications their final clients value, among others. This third party providers market is very fragmented in the sense that each company is usually very specialized in one limited area (e.g. marketing and IT services) and finding the right stable partner for a long-term relationship is usually difficult. Overall the bargaining

power of suppliers is expected to be moderate to high.

In conclusion, private labels compose a segment of the consumables market that increased in the recent past and with potential for future growth under proper strategies. In fact, the economic downturn in both countries boosted these goods. Financial pressures forced many consumers to trade down, and many found the quality gap between national and private labels not as big as previously perceived (Nielsen, 2014).

Current client situation

According to DW, while European retailers are keen when buying Americans outperform at selling. In other words, when looking at North American stores the level of effectiveness of merchandising, demos and customer engagement is very high. However, the negotiation and purchasing conditions and the American middleman in the process are much more complex and costly than in Europe. Thus, the services DW offers to both continents are differently needed and valued by the business partners. Another geographical difference is felt in the value added that potential clients perceive they could get from DW, which is translated into different levels of effort and speed to sell their services. As one top managers stated *“What we have been doing in Europe is actually the hardest work: we are trying to sell the hardest services that we could sell to Europeans because when you come to Europe and you try to tell that you want to help their private brand they say <<what are you and your American company going to teach me about private brands when out of the 20 top countries in private brands 18 are European?>>”*. However *“when we try to talk about anything that has to do with Interactions or retail direct services they are really interested but the key question they pose afterwards is <<where are you running presently in Europe?>>”*. In fact, its presence in Portugal plays a strategic role: while the office in Lisbon is the European resource center, the pilot project DW is running with Jerónimo Martins is critical to prove potential clients about its competencies with tangible results.

In conclusion, the success of the DW's situation in Portugal is, then, key for the company to penetrate the rest of Europe with its portfolio of services. For this, DW feels that guidance on existing opportunities, prioritization and the learning of the current best practices are needed.

The Business Project challenge

In this context, the challenge of the business project (BP) was not to propose a solution for a weakness or to an existing problem but to explore potential ways to capitalize from an existing opportunity. This opportunity was the expansion of the services portfolio of two business units, Interactions and SAS, in the untapped market of in-store services regarding execution and customer engagement, in Portugal and Spain.

Reflection on the Work Done

Problem definition

The ultimate goal of this project was to provide DW with recommendations of detailed go-to-market strategies in Portugal and in Spain and regarding new services that could serve grocery retailers specifically in terms of in-store execution and customer engagement. On one hand, in-store execution involves all aspects of moving a product since its delivery to a shelf, ready to be bought by shoppers, at the right time and space. On the other hand, in-store customer engagement includes all marketing and sales activities that aim to interact with shoppers in order to build brand awareness, increase their loyalty and to persuade them, more or less consciously, to purchase a good.

The scope of the BP was of paramount interest for DW due to three main reasons. Firstly because in-store services are one of the fastest growing businesses within the retail industry. Secondly, because the expansion to in-store services can complement the existing services of DW while leveraging existing competences and relations with both retailers and manufacturers. Finally, it would move the company closer to final customers, which, in turn, would open the possibility to gather more and better information of the market to fuel its internal strategies.

As a note, although DW has an exclusive contract with Jerónimo Martins in Portugal the scope of this BP was to analyse a scenario where this was not a constraint, meaning that the new recommended services could serve retailers that directly compete with this existing client.

Methodology

Hypothesis

This project had four hypotheses: I. There is an untapped market for in-store execution services to be offered by third party providers; II. There is an untapped market for in-store customer engagement services to be offered by third party providers; III. DW can expand its portfolio of services to in-store execution; IV. DW can expand its portfolio of services to in-store customer engagement.

As further explained, none of the four hypotheses was rejected and, consequently, six recommendations were proposed to the company aiming to add value to DW's partners by either increasing their potential sales or by reducing their costs, while capturing profits with it.

Methodology

In order to achieve its final goal, the project was divided into four main phases that lasted, in total, three months. In an early stage, the side of potential clients for the recommended services was analysed: first to understand the main players that should be selected and, secondly, to conduct a field research regarding their in-store services. In the second phase, the analysis moved from the potential clients' field to the potential competitors of Interactions and SAS, where the market of third party service providers (3PP) was researched with a benchmark analysis. In a third phase, a gap analysis was conducted based on the information collected in the two previous phases. In the last phase, after a brainstorming session, six go-to-market strategies were developed in order to close existing gaps in the market. In sum, the two first phases aimed to collect data to feed the gap analysis, which, in turn, aimed to test hypotheses I. and II. Finally, the last stage aimed to test hypothesis III and IV.

Analysis

Phase 1: Potential Clients analysis

After conducting a Pestle analysis to understand the environment of the two countries, especially given the fact that the BP group was mainly composed by exchange students, the analysis was narrowed to the competitive landscape of the retailing market in Portugal and in Spain. The first finding was that according to Porter's generic strategies grocery retailers tend to follow a cost leadership strategy more focused on the efficiency of the processes, control of overheads, economies

of scale and scope, among others. However, when tailoring their generic strategy to their companies retailers use differentiating factors to attract and retain shoppers as stores' location & coverage, variety & assortment, loyalty campaigns, in-store experience and private brands (BP slide 13-15, 20-22).

Selection of retailers

In order to filter the huge pool of grocery retailers and pick the ones that could potentially meet the relevant conditions to be successful, four criteria were applied:

- Large and medium store sizes: In general, larger stores invest more in in-store customer experience because clients tend to spend more time in those shops. As a result, these retailers desire to give shoppers a pleasant experience so that they return frequently, to grab their attention for temporary promotions or demos going on and to convert this interaction into sales. For example, stores with more than 400 m² tend to have better layouts with wider corridors where shoppers do not have the challenge to move with their baskets. Additionally, with a wider selling space, more merchandising takes place, either with special islands located in high traffic locations, end of aisles installations, special fridges, among others. Furthermore, this segment of stores asks for more structured logistics to manage their bigger amount of items sold per day to avoid stock outs, to control the expiration dates, for stock management purposes, etc. Thus, only hypermarkets, supermarkets and discounters were covered in the field analysis.

- Retailers from top groups: On one hand, retailers with bigger market shares have a bigger coverage, which is ultimately translated into a larger market potential to sell the recommended services since they can be replicated into more locations under the same contract (Appendix 8). On the other hand, bigger market shares were used as proxies for higher sales per m², which, in turn, was assumed as an attractiveness measure to sell through a specific channel. In specific, only stores that belonged to one of the six biggest groups in terms of market share were selected.

- High daily traffic in-store with customers with medium/high purchasing power: A high average number of daily store visitors represents a huge opportunity to interact with a great pool of potential clients per square meter of store. Proper services regarding in-store customer engagement could, then, be attractive for these retailers since that they could leverage the sales volume and/or value per visitor.

The retailers' presence in big cities from Portugal and Spain was used as a proxy for this measure, which excluded the group ITM from the Portuguese analysis.

- **Medium to high variety & assortment:** Individuals have habits are more or less conscious. Thus, while stores with a very diverse offer attract individuals with very diverse tastes too, some shoppers do not realize products or brands they are not used to see or consume. This assumption suggested an opportunity for retailers to increase their marketing activities in-store at the same as DW could close a potential gap regarding customer engagement here. Again, this criterion was also used when taking into account that these stores need to deal with big and diverse suppliers and a favorable relationship should exist between these two partners. Thus, the execution field plays a major role to ensure a good stock management to prevent stock outs a proper ordering, etc. The number of product categories and brands sold by a retailer measured this filter.

After applying these four criteria, five retailers were selected for the Portuguese analysis (Pingo Doce, Continente, Lidl, Jumbo, Minipreço) and four for the Spanish market (Mercadona, Carrefour, Dia, Lidl). Since El Corte Ingles is present in both countries and its strategy significantly deviates from the selected retailers (e.g. more selected quality of the assortment and better customer service which is supported by price premiums), this chain was also studied and used as a benchmark.

It is also important to mention that, under the proposed criteria, small store formats were excluded from the field research. However, retailers as Consum, Spar and Condis were considered at the stage of go-to-market strategies development in for Spain after detecting an opportunity that was not possible to foresee at the initial stage. Additionally, Eroski was not covered also since it is being under an acquisition process by Dia and Carrefour.

Field Research

A field research was conducted to each selected retailer to have a deeper feeling of their in-store experience. This phase counted with three main sources of information. Firstly, questionnaires (Appendix 9) were carried out to at least one store per each retailer in both countries and aimed to reach three different types of collaborators. In total, eight store managers, eight stockers and one promoter contributed for these results. Appendix 10 shows many findings from the questionnaires but

only some will be highlighted.

Regarding in-store execution in Portugal, it was clear that planograms were widely used by retailers to guide the organization of their products on the shelves. Usually, the first criterion is the category and only after that one price, brands or other variables take place. Additionally, stock management still has space for improvement in the sense that, when products arrive daily to the warehouse of a store, they go to a specific room that is prepared in terms of variables as temperature, humidity and light attending products' characteristics. However, the way products are displayed within each room is still not very organized, which negatively affects the easiness of expiration dates control and the real time information regarding stock levels. In the Spanish market, stockers and store managers referred that they wished new replenishment techniques, but with no detail. Finally, when it comes to merchandise a product in-store, retailers usually perform this implementation task. According to our research, it seems that Dia is the only retailer that co-operates with 3PP for it. However, this chain grows by franchising contracts, which means that it was not possible to clarify if this cooperation was specific to that store or to the whole chain.

In terms of in-store customer engagement, both countries presented similar results. Employees answered that the typical formats include sampling and demos, cartoon installations, end of aisles and side shelves. Additionally, the interviewed collaborators stated that they feel a lack of innovation regarding the format of promotional activities in-store.

The second source of information counted with four interviews held to store managers from two Pingo Doce stores, one Continente and one Jumbo. The objective was to digger into more detail the findings found with the questionnaires.

For the last source, the group visited at least one shop per selected retailer in order to get in touch with the environment, understand the flow of the store, and, when possible, to take photos of some relevant observations for the BP.

At this stage, a lot of insights were collected and there was the need to structure and evaluate it. Aiming to compare the current performance of retailers in both dimensions – in-store execution and customer engagement – a scoring model was developed (Appendix 11). Based on the questionnaires and on the in-store observations, it was concluded that, in Portugal, discounters presented the poorest

scores in both in-store services, while supermarkets and hypermarkets showed the highest ones regarding customer engagement. The Spanish case followed a similar pattern regarding execution while supermarkets and hypermarkets had not only with the highest scores for customer engagement but also for execution. It was based on this scoring model that potential clients for each recommendation were selected.

Phase 2: Potential Competitors analysis

Again, three criteria were used to filter the market of 3PP to narrow down the research. On one hand, players should present a vast portfolio of services and, consequently, smaller and very specialized agencies were excluded from the study. On the other hand, these players should work with retailers, either as direct sellers or as simple collaborators. Finally, the focus was on 3PP present in Portugal and Spain since they composed the scope of the BP. Thus, SAS (for execution) and Interactions (for customer engagement) were compared against five main competitors: Clara Cunha, Sociprime, RetailNext, High Score and CPM. Aiming to have an international benchmark too, Promoworks and Smollan were also considered since they are two of the largest players worldwide. The conclusions of the benchmark analysis can be divided into three fields: regarding services offered, geographical markets and partners.

Relatively to services, 3PP generally offer not only in-store but also outdoor services as a way to improve their competitive advantage and to strengthen their relationship with their clients. For instance, besides offering replenishment services and retailtainment events, Clara Cunha participates in parties & fairs and it lends equipped rooms from its offices to clients. Thus, providing value in these two different contexts can generate information and a learning experience for 3PP. This enables them to better understand and serve their clients' needs and, in turn, 3PP expect a stronger loyalty. Although it was not possible to access the weight of each service in the total turnover, when dividing their portfolio of in-store services into execution and customer engagement it was observed that these companies do not tend to offer many services on the latter. Either they specialize more in execution (e.g. Clara Cunha, Sociprime, Smollan) or in both (e.g. RetailNext, Highscore, CPM). (Appendix 12)

By looking at each country separately (Appendix 13), Portugal showed a more fragmented market with more local companies while in Spain international players have a stronger presence. Furthermore, both local and international players presented a room for improvement regarding communication for external stakeholders. Firstly, because the generally unclear information in their websites is expected to have a negative influence on a potential demand. Secondly, because retailers are highly concerned about daily revenues that 3PP' services could maximize, but also about costs to acquire them. Thus, in the case of no-rejection of the four hypotheses, a very persuasive approach (e.g. sales force) would be needed to convince retailers about the value added by 3PP and convert this awareness into adoption. Finally, when analyzing the business partners of 3PP three findings arose. Firstly, suppliers are generally the main clients while retailers usually simply collaborate by enabling the occurrence of those activities within their stores. Secondly, there seems to be a low level of conflict of interests when selling these services to several competing clients or to have one client demanding different services from competing 3PPs. For example, Sociprime works with Lactogal and Parmalat and with Bimbo and Panrico. Additionally, Ferrero, Bacardi and Nespresso work simultaneously work with both Clara Cunha and Sociprime (Appendix 14) (companies' websites). One possible reason for this web of relations might be the offer of 3PP services at different prices while suppliers consider them as commodities and, thus, looking for the least expensive alternative. Another explanation might be the inexistence of exclusivity contracts or strategic partnerships, which enables clients to contract every service separately. Nevertheless, both scenarios suggest that clients are not afraid to share info regarding their products with different partners.

Phase 3: Gap analysis

At this stage, the aim was to synthesize the insights collected on the two previous research phases and to develop a gap analysis that could test hypothesis I. There is an untapped market for in-store execution services to be offered by third party providers and II. There is an untapped market for in-store customer engagement services to be offered by third party providers.

With this process, two kinds of results were expected. First, that there is an unmet demand waiting for new services with needs in the market that are not being served yet, either by DW or by other players.

Second, that there is a portion of the existing demand that is not fully satisfied. In other words, a number of clients are underserved with the existing offer, representing a space for improvement of already sold services, either by DW or competitors. If a gap existed regarding execution, hypotheses I. would not be rejected opening a room to test the third one: DW can expand its portfolio of services to in-store execution. Similarly, if a gap existed regarding customer engagement, hypotheses II. would not be rejected allowing a test of the fourth one. In conclusion, if at least one of the first two were not rejected, it would support the development of the recommendations.

Three sources of gaps were identified and separately analyzed. The first was the mismatch between what retailers need and what the 3PP market is offering (Appendix 15-A). From the execution perspective, it was found that there is a poor organization of stores' warehouses raising opportunity costs of time and money. Additionally, an inefficient control of expiration dates and a poor control of stock-outs on the shelves existed once they are still generally managed manually with a stocker that goes through the corridors to check product by product. Furthermore, the lack of real time information during trading hours regarding the amount of products on the shelves does not help either. Finally, even though some chains are adapting their distribution channels' logistics to satisfy the increasing demand for convenience, it seems that some other stores' logistics are still unprepared for future trends. From the customer engagement side, there is a poor technological interaction with customers in an era where both mobile Internet penetration and the time spent per day on-line by customers is increasing in both countries. Although some retailers already have their own app, (e.g. Pingo doce and Carrefour) the access to free Wi-Fi in-store is weak and there are still technical issues, sub optimizing the potential of engagement and information collected from them to make more data driven decisions. Finally, a lack of innovation in promotional activities in-store exists. Firstly, merchandising is being made by more undifferentiated products' categories but actual ROI is difficult to measure. Thus, suppliers might feel discouraged to invest in traditional promotional activities if retailers do not press them. Secondly, in an interview it was highlighted that customers tend to spend less time in-store and they shop more frequently for freshness or special price promotions. This results in a lower attention span for traditional engagement tactics and a need for innovation to grab their attention effectively.

The second source resulted from the comparison of what competitors and DW are offering (Appendix

15-B). Here, DW was not selling online execution & merchandising, promotional packaging and expiration dates' control as execution services. Regarding customer engagement, the company did not include in its portfolio the POS materials' creation, sales animation & modeling or the use of mascots. The last source of gaps aimed to understand a mismatch between what national brands want and what retailers offer to them (Appendix 15-C). For this, the group had the chance to interview one big supplier that highlighted the inefficient replenishment and, since it can not support shelves' stock-outs, it ends up paying twice: to retailers, by contract, and to 3PP to effectively prevent this situation. It was also pointed that there is a lack of innovation and targeting in the customer engagement activities in-store: *"It looks like a carpet bombing (...) I'm continuously challenging my team regarding the way we put money in store regarding the return. (...) I don't think retailers are using in the best way their intrinsic knowledge. I'm exaggerating but take this as an example: It feels to me that retailers (even the biggest ones that we work with) are just crapping the surface of their databases in terms of power of that data. They are not really putting it up the core of what they do while they could use it as their own advantage, to create competitive advantage"*. This represented a gap in communication and in leverage of data to better measurements.

Even though it was possible to discriminate gaps between execution and customer engagement in each of the three sources, the available information was not sufficient to divide the analysis by countries. Thus, it was assumed that if one 3PP was present in more than one country, it offered exactly the same portfolio of services in each location. Overall, since there were gaps regarding execution and customer engagement, I. and II. were not rejected.

Recommendations to the company

After unveiling and analyzing existing gaps from the three mentioned sources, six recommendations regarding go-to-market strategies were designed aiming to close some of them (Appendix 16 A-C). For each suggestion, one value proposition was defined, as well as the answers to the questions to what, how, to whom and which potential limitations it carries.

Regarding execution, the first recommendation was called RFID Tags and it aimed to improve the control of stock-outs on the shelves, the poor organization of stores' warehouses and the control of

expiration dates. RFID tags are a technology that enables retailers to increase their efficiency in stock management and inventory, thus reducing their costs since replenishment with a RFID system is significantly faster than manually auditing each item or scanning their bar codes. The role of DW would be to offer a consulting service to advise grocery retailers whether and how to implement RFID tags in their inventory management. In fact, RFID solutions can become complex, so the company would become a specialized bridge between the complicity of tech producers and the needs of retailers. The second recommendation aimed to close the gap of stores' logistics being unprepared for future trends" by offering a consultancy service for retailers who already have an online shop. The idea would be to advise them how to develop a proper click-and-collect service and integrate it into their existing store dynamics and execution systems. For retailers who have not set up an online store yet, DW could also consult them in this area, by offering a service package including not only the click-and-collect development but also the one for the online store.

Regarding customer engagement, gamification was the first recommendation and it aimed to offer an exciting solution for the lack of innovation in traditional promotional activities in-store and to the poor engagement and communication to customers. Gamification is the use of game components and digital game design techniques to non-game situations as a way to motivate participation, engage, and generate loyalty. This service would be composed by two elements. On one hand, it would include the use of Beacons, which are technological devices that aim to attract individuals' attention to a specific place. On the other hand, it would include the development of the technology for the so-called augmented reality, which, as the name suggests, would give customers the opportunity to visualize the real world virtually with an augmented dimension (e.g. sound, video, graphics or GPS data) but in a way that it is difficult for the user to distinguish what is real from what is fiction. By using a mobile app, the surrounding real world of the user would become interactive and digitally manipulable. Again, DW would add value by working as link with deep market knowledge between brands and IT representatives. The second recommendation in this field would be the development of a mobile app for retailers since smartphone and Internet penetrations are very high in both countries, but their use for customer interactions is modest. The objective would be to enable shoppers to access in a more convenient way valued insights like recipes, price promotions, seasonal products and invoices. The

role of DW would be to assist retailers in the design of the specifications of the app (e.g. understand the kind of information and pop ups that would be valued by customers and that should, then, be included). Additionally, the company would assist the study of the best options to implement in-store services needed to leverage the penetration and the use of this app (e.g. free wi-fi). DW has already offered an app to track demos occurring in-store, so it could ask to one of its resource center for best practices regarding its development or to access a potential tech partner that designed that app in the past. Customized marketing was the third recommendation in this field but it will be explained with more detail in the individual contribution chapter.

The last recommendation was called budget service and the opportunity was found when realizing that 3PP tend to concentrate their offerings to large retailers with big and expensive service packages. Since smaller chains do not have the monetary backup for extensive projects they are usually excluded from this market, even though most of the identified Gaps in some of the bigger retailers were also present in each of the smaller stores. Thus, this recommendation aimed to offer smaller retailers a solution for either execution or customer engagement gaps, depending on their specific needs. The idea would be to break down the complete existing “service package” as a strategy to build a new one, more tailored to the clients’ needs, at a lower cost. From a competence’s perspective, DW already sells these services so the company already has the knowledge and the skills needed. The challenge would be to adapt the pricing strategy to avoid misunderstandings with existing big clients and to learn more about the specificities of these smaller players.

Concerns

Although the group considered that there were more opportunities for DW to explore execution gaps, since this information was not so accessible in terms of costs, possibility to observe and to fully understand the steps of the process, more focus was put on the customer engagement side. Here, three main recommendations concerns seem to arise. First, retailers have a very specific DNA that one should deeply understand to study whether these services truly have potential to be adopted given their needs and their willingness to pay. On one hand, these players have very small margins, which make them very rational to bulky investments and incentive the waiting for the right time to move. Information is crucial, and one apparent proof might be the fact that the market leader in a country is

usually a domestic firm (e.g. Pingo Doce in Portugal, Mercadona in Spain, France, Germany, etc). On the other hand, their suppliers, who are increasingly frustrated with the lack of their ROI measurement, mainly fund retailers' business model. According to a top manager, *“one interesting thing to understand would be to see if A-brands feel they are receiving a sufficiently good service in-store. If it's not good enough, are they willing to pay/how much are they willing to pay to maximize it. That will dictate our ability to go and implement the SAS core services. Of course they want to maximize their sales and ultimately, the business models of retailers are funded by A-brands”*.

The second concern is to match the retail DNA with the key resources that give DW a sustainable competitive advantage. Currently, DW's success is explained, from a resource-based view, by its deep knowledge of the retail business, supported by its long relation with the existing clients all over the world. Additionally, its expertise in branding and marketing, as well as its large international network of sourcing suppliers, make DW able to add relevant value with resources that are scarce, take time and high costs to imitate and that are organizationally embedded, allowing DW to profit from them (Collis and Montgomery). However, even though DW believes Millennials will highly influence the future of customer engagement in the retail business, the company is not an expert in tech, which raises the dilemma on whether to start developing it in-house or to look for specialized partners.

Finally, when compared to huge markets as the UK and the US, Portugal and Spain raise the question of how sizeable can these investments be to ensure an adequate payback.

Individual contribution

By being the only Portuguese in the group a high involvement in all parts of the BP was required to me. On one hand, in an early phase, it was needed to suggest sources of information as well as to prepare, translate and conduct all interviews from the field research. The Portuguese interviewees did not speak English and I had the most similar language to communicate with the Spanish collaborators. On the other, to avoid asymmetric information within the group that could jeopardize the deepness and connection of the different phases, I translated every interview and the questionnaires to share the knowledge we had accessed. Here, I also tried to participate in every discussion to make available my Portuguese insights so that a suitable structure for each part could be designed (e.g. for the on-line

research and selection criteria for the potential clients, for the benchmark and gap analysis in the competitors' stage and the set up of a framework for the recommendations). Thus, a strong collaboration of every member was highly needed to align what, why and how we wanted to communicate. A section where I could work more independently was on the development of the customized marketing recommendation, which will be briefly presented.

According to Socioprime 70% of purchasing decisions are taken in-store, next to the shelves. On one hand, Clara Cunha Company highlights the difficulty to create customer loyalty in undifferentiated products just with publicity making customers very sensitive to advantageous promotions. This reflects the importance of in-store customer engagement to grab shoppers' attention, create desire and boost sales. On the other hand, from the point of view of the interviewed supplier, retailers are incurring in a huge marketing fixed cost that is not being translated in responsiveness (e.g. printing leaflets periodically and sending them to households). In fact, he stated that *"I receive loyalty offers every month and what I get is this letter saying '25% discounts' on some things they choose. The first 3 months I looked to it. Now I don't because I've realized that it has things that i'm not interested in with a discount that it's irrelevant. So I go into the store and I find much more interesting things with 50% discount that are coming every week, so it's completely obsolete."* Furthermore *"Nowadays, in-store activation looks like a carpet bombing when it has the potential to be a more strategic weapon – right now there's more information to do so than ever"*

This service aimed to close two existing gaps mentioned by the supplier side: firstly, the lack of strategic marketing to address the right shoppers in order to increase their responsiveness and, secondly, to leverage the existing data retailers possess about both their shoppers and the promotional activities to better track KPIs regarding suppliers' ROI. This data could mean an important input to be used for negotiations regarding in-store investments with their suppliers.

Customized marketing stands for an in-store digital tool for brand activation that would interact with shoppers without a personal contact. Furthermore, it would be an adaptive system since this interaction would result from the scanning of a loyalty card in TV screens in-store where the client would be informed about the relevant promotions for them, based on past purchases and novelties.

For the set-up part, this service would be divided in two phases. At an earlier stage, DW would offer the design of the concept and the specifications of the system (e.g. define the relevant shoppers' info that DW would need to access, find a tech partner to develop the algorithm, design user-friendly screens and the branding of the service, define KPI's to track future performance, among others). Here, DW would need to first patent the concept and technology to avoid imitators. Then, it would need to negotiate with its clients the inclusion of a clause in their loyalty cards' contracts that would enable this company to access certain data currently protected. Finally, some stores would be selected to pioneer the concept and, after testing it, the adjusted technology would be expanded at a lower cost. In a second stage, DW would be the responsible to fuel the system with the promotional highlights in-store to directly communicate to customers (e.g. feed the system on an on-going basis with the results of retailers' negotiations with suppliers in terms of promotions, analyze the generated data, track the performance of KPIs to continuously improve the system, etc). For the success of the service, DW would educate retailers' customers with a temporary sales force at the beginning once they would need to be aware of its existence, understand how to use it and its potential value. Additionally, the company would need to ask retailers for periodic renewals of their loyalty cards' databases since it is not only the quantity of data that creates values but also how updated the information is.

Continente and Pingo doce were pointed as potential clients in Portugal and Carrefour and El Corte Ingles in Spain since they scored high in customer engagement, based on the past research. This indicates that these players care about interacting with their shoppers, which represents a potentially higher willingness to invest to be viewed as first movers and innovators in the area of leveraging shopper data (e.g. Carrefour launched its own app). Additionally, both Portuguese players have already have highly established loyalty programs. Finally, one thing that is common to the four players is that they are present in the hypermarket segment, where, given the larger daily traffic in-store, each implemented system is expected to have a shorter payback period and to generate more useful data.

Three concerns regarding this recommendation arise. The first one is the need, as Mckinsey's report stated, of DW to *"make sense of the flood of data. Sophisticated algorithms and analytical tools can help, but the tools alone don't constitute a competitive advantage. Rather, it is the knowledge of how to leverage the tools that can vault a company above its competitors."* DW would need to *"hire,*

develop, and retain skilled analysts who can distinguish relevant from irrelevant data (...) to strike the right balance between analytical expertise and commercial sense.” Secondly, there are some security issues regarding the confidentiality of information from customers. Retailers own this data from their loyalty cards and a good negotiation is needed to enable the sharing of a percentage of it, within the legal boundaries. Thirdly, developing and implementing technology requires a high investment, which, in the retail business is not easy to convince. That question that would need to be answered is who would finance it: DW, its tech partners, retailers or suppliers.

Academic Discussion

Possible links with the management field

With the entry of store brands collaboration and competition, which are two apparently opposing forces, need to coexist: manufacturers are no longer simple suppliers of retailers but, simultaneously, their competitors. In fact, before a retailer introduces its private labels, suppliers buy its selling space to reach their final demand while the former has the incentive to maximize the sales of its business partners. In this scenario, suppliers compete against each other for the same retailer that operates as a monopolist that seeks the category profit maximization. For this, it sets the retail price for each product within the category regarding their distinct expected demand. While negotiating with the retailer, each supplier faces a trade-off: on one hand they want to capture value from the total profit margin created by all intermediaries that participate in their distribution channel and, hence, they seek a sufficiently high wholesale price. On the other hand, it needs to be sufficiently low to allow retailers to have a margin that does not drive retail prices too high, which would affect the final consumers negatively and decrease the potential total channel profit (Sanjog Misra et al, 2008). However, in a scenario where store brands exist, retailers also fight for market share against national brands.

Past literature highlights that there are three main benefits for retailers that offer store brands. Firstly, because they provide retailers a more strategic bargaining power when dealing with national brands (e.g. wholesale prices) by threatening imitation of their products or because, at least in theory, a retailer controls decisions related to the marketing mix in-store (shelf space and disposition, promotions, price, etc) (Narasimhan and Wilcox 1998, Sayman, et al 2002, Ailawadi & Harlam 2004).

However, empirical evidence that supports that this bargaining power is higher is scarce. Secondly, offering own brands provides retailers with higher margins (Pauwels and srinivasan, 2004). Thirdly, private labels can be used as tools for store loyalty, working as a differentiator from competing retailers. (Sudhir and Talukdar 2004).

Yet, several questions are raised regarding the opportunity cost of cannibalization of sales, the trade-offs retailers need to balance in their store brands' decisions, the conflicts that appear in the channel due to misaligned incentives, among others.

Relevant theories and empirical studies

In an interaction between retailers and manufacturers bargaining power is usually measured by the share of profits a player is able to appropriate from the total surplus generated by that distribution channel. Previously, this power was assumed to be a unilateral ability of a retailer to set the wholesale price. However more recent studies (Villas Boas and Iyer, 2002) introduced frameworks where it results from a bilateral negotiation.

In this field, the authors of the academic paper "*Do private labels increase retailer bargaining power?*" (Sergio Meza et al, 2009) aimed to test two specific hypotheses. The first one questioned whether private labels increase the negotiation power that retailers have over manufacturers. Based on empirical evidence that store brands have a higher profitability than national brands (Pauwels and Srinivasan 2004) and that they deliver retailers a strategic negotiation power regarding supply terms for manufacturer brands (Sayman, et al 2002) the second question tested whether retailers strategically set retail prices to benefit their private label. This could be either by raising the price for national brands or by setting a lower one for private labels. For this, it was analyzed a Chicago-based grocery chain that follows an imitation ("me-too") strategy rather than a differentiation one for its own brand.

Concerning the first hypothesis it was found that retailers increase their bargaining power relatively to retailers due to the introduction of their own brands and this gain seems to persist in the long run. This is reflected on a larger pressure for lower wholesale prices, especially within categories where manufacturers have a low capacity to attract customers (niche markets).

In relation to the second hypothesis, evidence suggests that, in fact, retailers strategically set higher retail prices for manufacturer brands when a store brand is launched. The objective is to facilitate an early penetration but once a significant and stable market share is achieved within that category, retailers decrease national brands price to the level that maximizes the profits of the category as a whole. However, this is only done for brands that compete in mass market categories where the gains in market share for retailers in the long-run compensate the opportunity cost they are incurring in the short-run by selling either less national brand products at a higher margin or private labels as a cheaper alternative for shoppers.

Although this research added value to previous empirical findings, price is the only variable considered to measure bargaining power. However, in reality, other factors as the market share of manufacturers, their brand equity or cost advantages enter in this equation. (Sanjog Misra et al, 2008)

Implications for theory and future research

This empirical study from Sergio Meza et al. added value to the academia since, from the supply point of view, it was the first time that wholesaler and retailer pricing were modeled and estimated with a framework that controlled the fact that a new entry increases competition in the market, and, then, pressures both prices to decrease. With novelty, the authors were able to estimate the real net effect on the bargaining power for retailers due to the introduction of their private label. Additionally, when modeling the demand side, the authors allowed for heterogeneity in terms of consumer preferences for different attributes based on a complex econometric model (e.g level of sugar, amount of fiber, price, promotion). This built up on Kadiyali et al (2000) where demand elasticity was assumed invariant over time, not capturing the differences before and after the introduction of a store brand.

This study also opens the door for future research regarding the externalities of private brands in different scenarios. Four suggestions are presented here: Firstly, it was interesting to observe that, in this case, the strategy of increasing the price of national brands to penetrate private labels worked as a way to simultaneously prevent an association between low quality and low prices. However, it would be interesting to understand in future research the costs of this strategy since, if retail prices for national brands were too high and the pull power of their private labels too low, customers could feel

incentivized to change not the brand within that category but to visit a competing store or to simply give up his purchase. In both cases, retailers would face an opportunity cost.

Secondly, it was analyzed the case where an imitation strategy is pursued by the retailer, which means that its way to either launch new products or to improve an existing one is to copy, at a higher or lower degree, successful physical or marketing features of manufacturers' products. Additionally, this positioning is more common than a differentiation one (Scott Morton and Zettelmeyer 2004). However, there is a lack of empirical findings regarding the sustainability of this strategy once it might disincentive both the speed and the volume of investments that manufactures dedicate to innovation, once "free-riders" turn their ROI more uncertain.

Thirdly, past research seems to support benefits from private label penetration for retailers. However, what are the marginal costs and benefits of increasing a brand store market share for retailers? In specific, to measure the side effects of increasing private brands penetration in terms of the ability and willingness of suppliers to keep investing in the retail business.

Fourthly, Sergio Meza et al. limited their research to the USA and the study was concluded in 2009. Thus, the generality of the results might be weak for the European continent in a post-financial crisis context. In fact, some private labels saw an opportunity to prove they had a higher quality than the once perceived by shoppers that were forced to cut their household expenses due to the high austerity. Hence, based on the concepts of the consumer theory from microeconomics, it would be interesting to understand if private labels are empirically considered ordinary and inferior goods and if their elasticity to price and income varies from country to country and why.

Personal Reflections

Personal experience

The BP was a learning experience at several levels and I would like to highlight the fact that it exposed me to realities that I did not have experience with and to significant cultural differences.

On one hand, this experience represented the first contact I had with consultancy, where I have learnt the importance of an active listening of the client's needs and the relevance of communicating periodically to give and receive feedback. One of the multiple examples was the difficulty to clearly

understand the real objective and scope of the BP at the beginning but the strong communication with the client clarified about what was expected to deliver in the last milestone. This project stressed out the importance of a good initial planning phase that pays off during the process. Firstly, it allowed the design of different stages and the decomposition of the tasks that should be fulfilled within a certain period of time in order to comply with an expected deliverable. Secondly, this proved to be a good technique not only to manage the expectations from the client's side but also from and within the group. In fact, it ensured a constant focus on the scope and final goal. Secondly, with a plan aligning expectations, discipline to comply with the agreed schedule enabled the group to perform smoothly throughout the semester instead of delaying the progress closer to the final deadline.

On the other hand, this was my first chance to deeply learn the retail business. One clear take away was the importance of a profound understanding of the ADN of retailers and their business models to distinguish what could be a good creative idea from what would add value to these players at a cost they would be able or willing to support.

Finally, differences in culture were felt among the group, once we all had different nationalities, and when visiting and interviewing Spanish and Portuguese retailers. In fact, at the beginning I thought Portugal and Spain culturally similar. However, although they have a small geographical distance according to the CAGE framework (Harvard, 2011) they actually differed in terms of culture. Firstly, language seemed to be a communication barrier between the group and the Spanish collaborators when conducting the questionnaires, which did not happen in Portugal due to my nationality. Secondly, although with a different idiom, the information sharing was much lower in Portugal than in Spain. In fact, while in Spain the group was able to interview everyone in-store and every employee seemed excited to help, in Portugal we learnt that stockers were not comfortable to do so without a previous allowance of their store manager. This clearly reflected the Hofstede cultural dimensions, specifically in the higher score of power distance in Portugal (63) than in Spain (57) (Hofstede center, 2016). Thus, to gather similar information, different approaches were needed to each country, which asked for flexibility and adaptation rather than waiting for the perfect conditions to work.

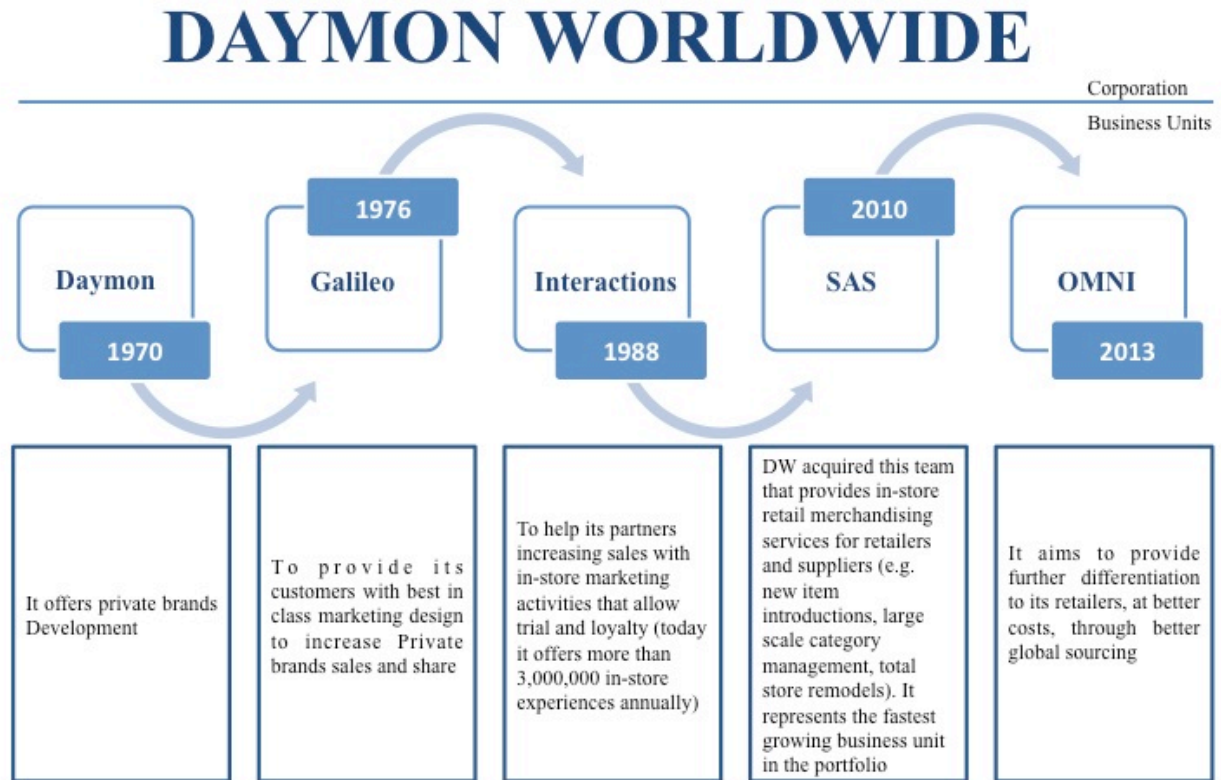
Self-development plan

From a personal perspective, I would say I was a collaborative colleague since I tried to be available to answer all questions regarding the specific Portuguese context and to work on consensus. I consider these were important inputs for the communication within the group. Furthermore, my proactivity and organization skills helped to develop the story telling and the structure of the BP while my positivism aimed to remind that we should adapt to the conditions we faced, that we could learn from mistakes and to remain motivated when facing high levels of workload or limited resources. I believe I could not require behaviors that I did not give the example in, so I tried to be punctual, to recognize and apologize for my mistakes and to be publicly grateful for the effort of each colleague.

But I also recognized one area for future improvement, especially with the individual assignment for the Global Management Practices Course. I realized that I tend to focus more on the observation of the exterior' needs to develop conditions that enable progress. Until certain point this could work as a strength, but in reality this proactivity also supports my lack of assertiveness to avoid conflicts. To close this gap, I will join an enneagram program to improve my self-awareness and to learn how I tend to think, feel and react, so that I can better predict my patterns under some circumstances (e.g. stress) and better adapt my behavior there. *"The Enneagram posits that there are nine separate personality types. Each one is marked by a central defense or preoccupation — a specific lens through which each of us reflexively and narrowly views the world, in order to feel safe."* (HBR, 2012). In fact, Claudio Naranjo, which was a Harvard and Berkeley professor, contributed tremendously to the development of the enneagram model with his knowledge in psychology. Additionally, there was a course in the Stanford MBA program that covered the enneagram and many companies and teams (e.g. Motorola, CIA, Oakland A's baseball team) are using this.

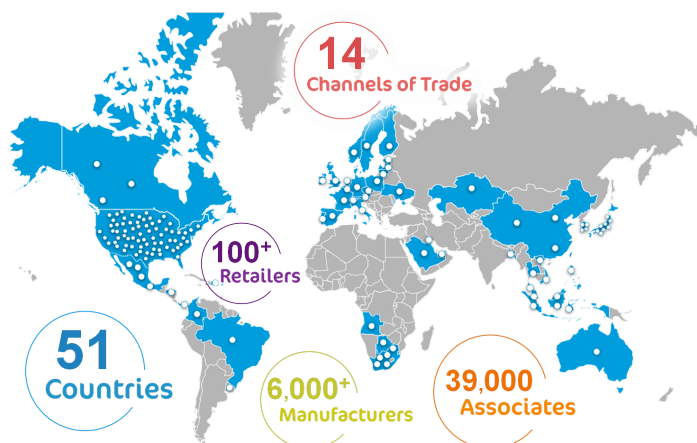
Appendix

Appendix 1: Business Units at Daymon Worldwide



Source: Daymon Worldwide Website

Appendix 2 | Daymon Worldwide in numbers

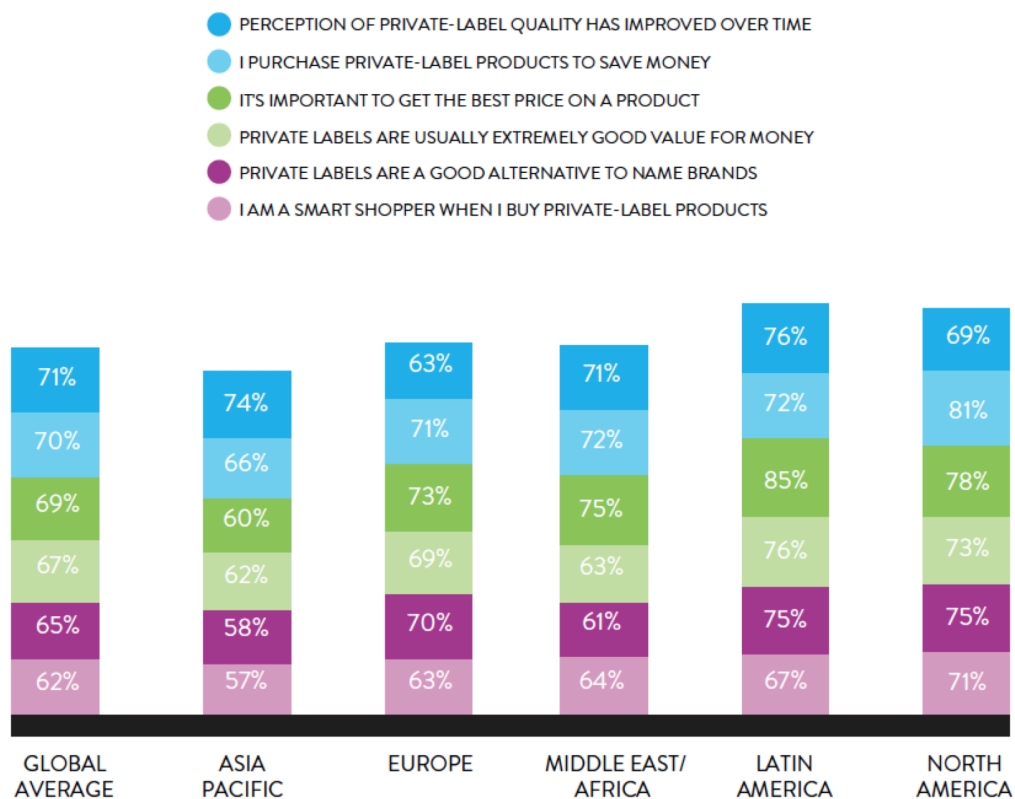


Channels of Trade	Supermarket, Automotive, Convenience, Discount, Dollar, Drug, e-commerce, Closeout/Overstock, Mass, Office Supply, Supercenters, Warehouse Club, Wholesaler/Cooperative, Home Improvement
Countries	Angola, Australia, Austria, Bangladesh, Belgium, Botswana, Brazil, Canada, China, Colombia, Czech Republic, Denmark, England, Estonia, France, Germany, Guinea, Honduras, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Panama, Philippines, Poland, Portugal, Saudi Arabia, Scotland, Singapore, South Africa, South Korea, Spain, Swaziland, Sweden, Taiwan, Thailand, Ukraine, United Arab Emirates, United States, Uruguay, Vietnam, Wales

Source: Daymon Worldwide website

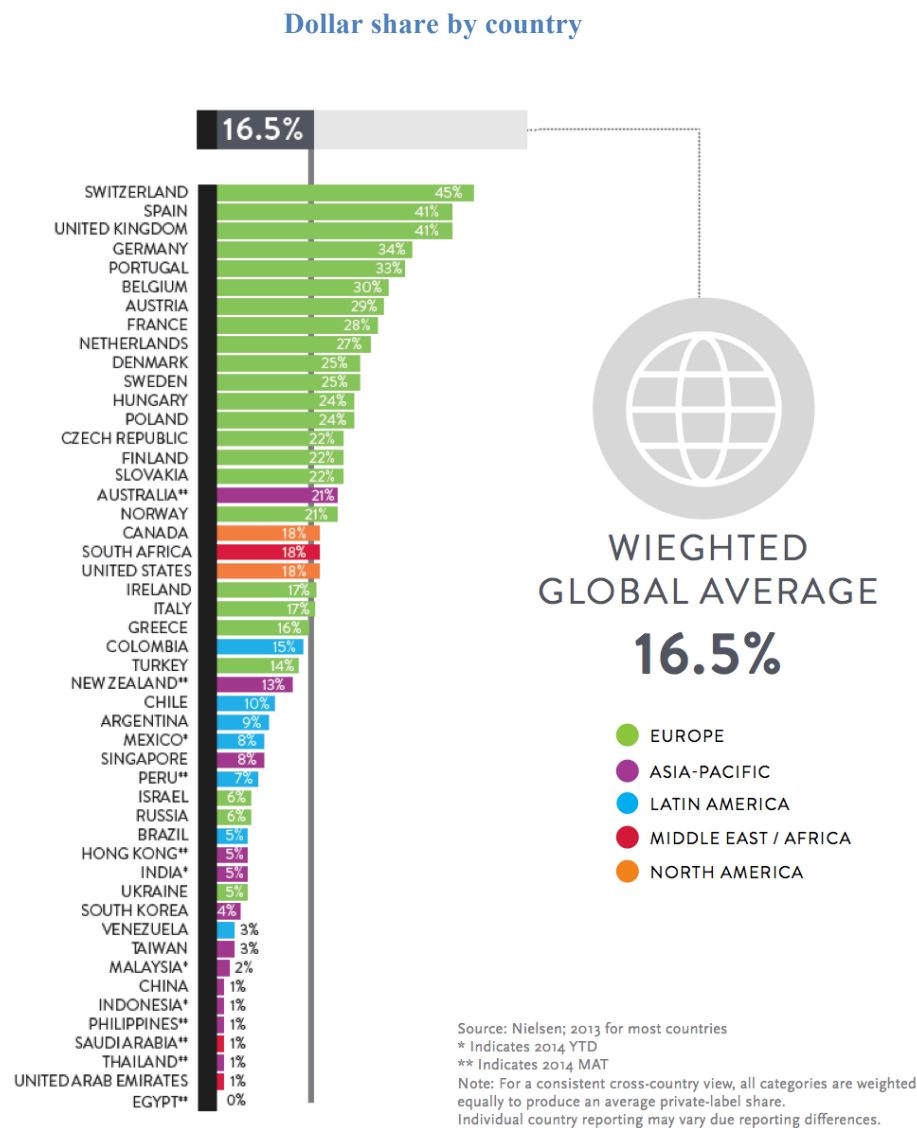
Appendix 3 | Positive perceptions for private labels

Percent of respondents who *somewhat or strongly agree*



Source: Nielsen 2014

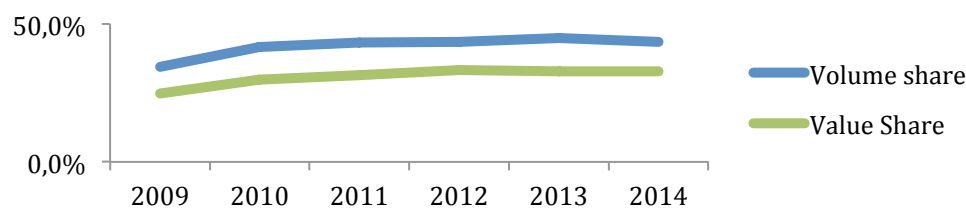
Appendix 4 | Private label distribution worldwide



Source: Nielsen 2014

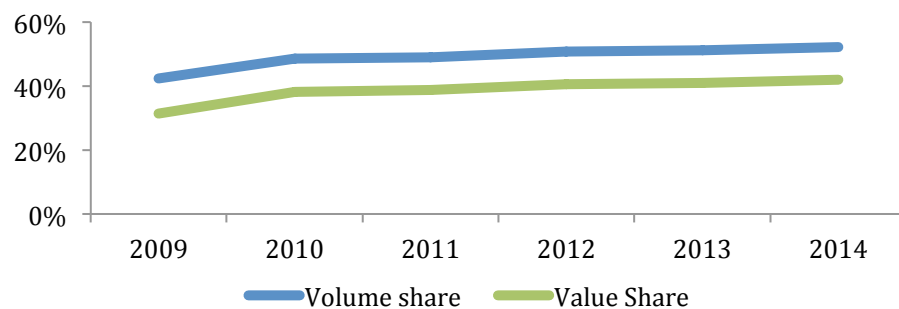
Appendix 5 | Private Label Market Share in Portugal and Spain

Appendix 5-A | Private Label Market share in Portugal



Source: Nielsen 2014

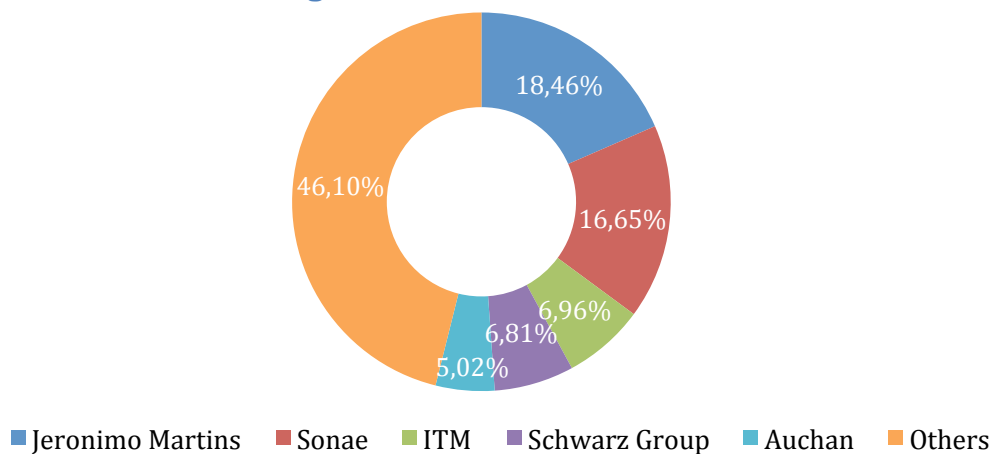
Appendix 5-B | Private Label Market Share in Spain



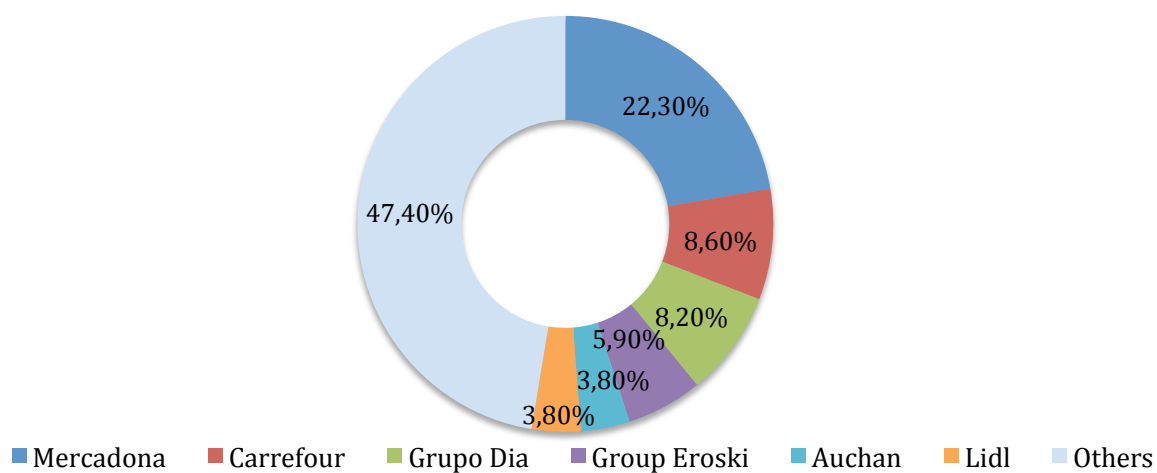
Source: Kantar World Pannel 2014

Appendix 6 | Retailers Market Shares

Portuguese retailers market share

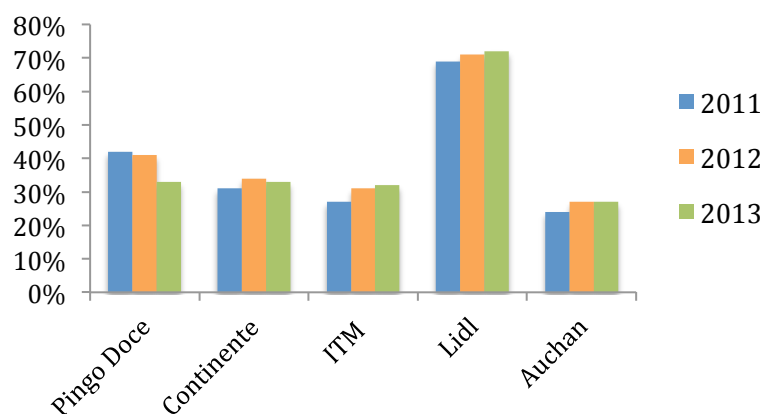


Spanish Retailers Market Share



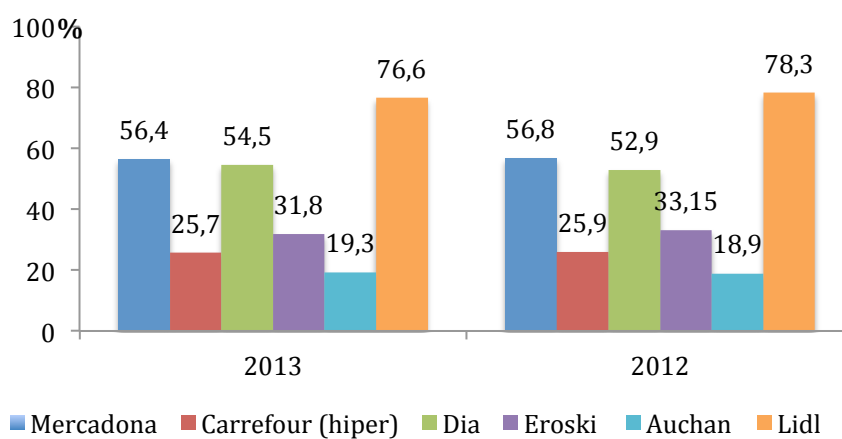
Appendix 7 | Evolution of private label market share (against national brands), by retailers

Appendix 7-A | Portugal



Source: Nielsen 2014

Appendix 7-B | Spain

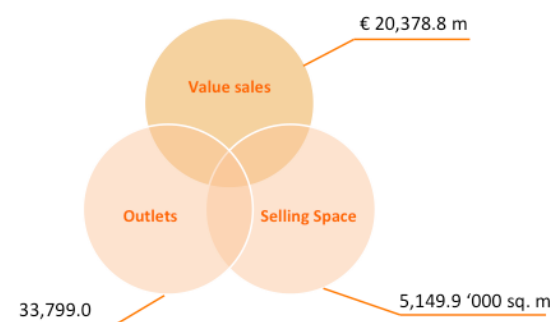


Source: Kantar World Pannel 2014

Appendix 8 | Dimensions of top retailers

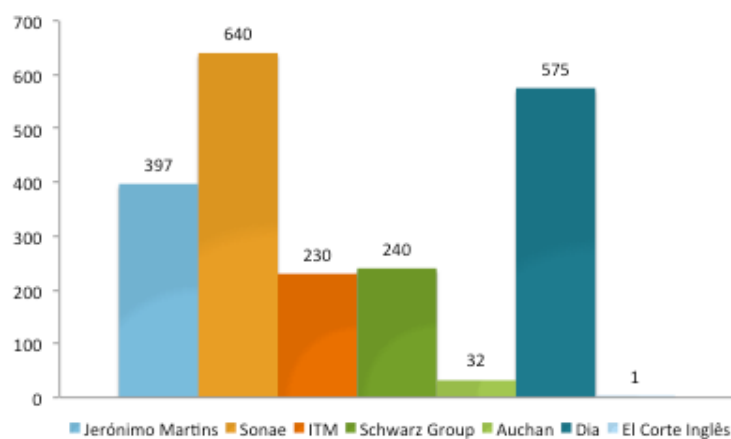
Appendix 8-A | Portugal

Total Figures:



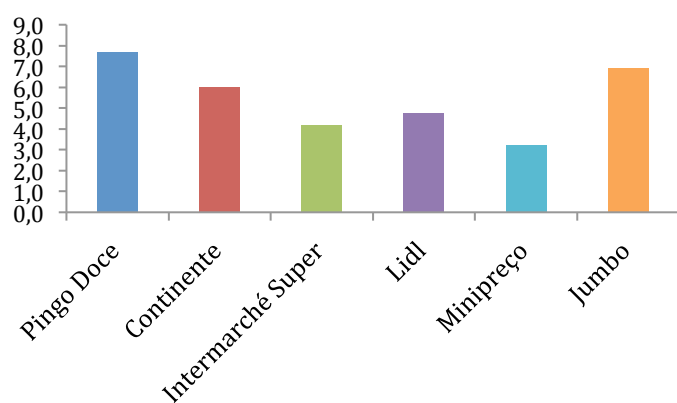
Source: Euromonitor International 2015

Coverage: Number of stores per top retailer (2014)



Source: Companies websites

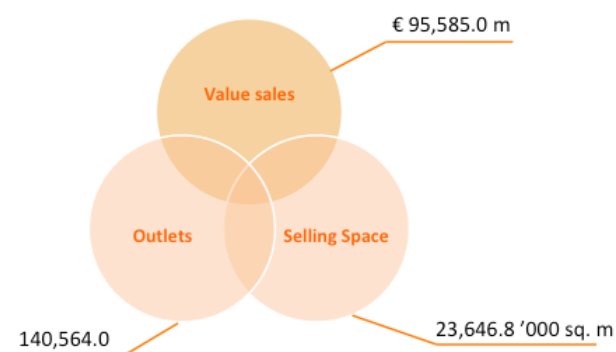
Sales (€ mn) per square meter



Source: Euromonitor, 2016

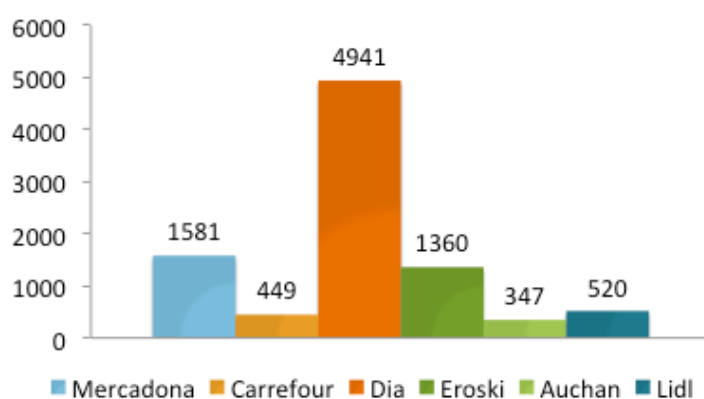
Appendix 8-B | Spain

Total Figures:



Source: Euromonitor International 2015

Coverage: Number of stores per top retailer (2014)



Source: Companies websites

Appendix 9 | Questionnaires' scripts

Appendix 9 - A | Store manager

Store Manager

For whom are you working for?

Specify:

What is your job title?

Specify:

1. How are delivery quantities determine?
 - A. Auto replenishment
 - B. Manual orders placed by department managers
 - C. Demand Planning
 - D. Other
2. How many deliveries do you receive per day?
 - A. 1-5
 - B. 5-10
 - C. 10+
3. Which product categories have the highest frequency of replenishment?
 - A. Grocery
 - B. Frozen foods
 - C. Dairy foods
 - D. Fruit/Vegetables
 - E. Meat/Fish
 - F. Deli
 - G. Bakery/Pastry
 - H. Charcuterie
 - I. Beverages
 - J. HBC
4. When the product is received where does it go?
 - A. Floor
 - B. Backup (store room)
 - C. Other
5. What type of instructions are given for replenishment?
 - a) Check-list
 - b) Planograms
 - c) App

- d) Other:
- 6. Are any tech solutions used in this job?
 - a) Yes
 - a. Product codes
 - b. Tablets or other devices
 - c. Other:
 - b) No
- 7. When is product merchandised?
 - A. During trading hours
 - B. After hours
 - C. Both
- 8. Who is merchandising it?
 - A. Retailer staff (your employees)
 - B. Suppliers
 - C. 3rd parties
- 9. How is your shelf layouts determine? (planograms designed)
 - A. Price (Expensive to cheapest)
 - B. Rate of sale
 - C. By Brand
 - D. No Plano grams
- 10. How do you engage with customers?
 - A. Sampling and demonstration
 - B. “Retailtainment” events in-store - guerrilla / stunts
 - C. Digital tool (eg. application, interactive displays)
 - D. Education/inspiration (informative leaflets, recipes, videos)
 - E. POS
 - F. Questionnaires
- 11. Which promotion format is the most popular among suppliers?

- A. Sampling
- B. Special Fridges
- C. Ends of aisles
- D. Posters / stickers on the floor / cardboard signs or stands
- E. Coupons
- F. Other:

12. Which brands of products engage more in promotions?

- a) Manufacturer brands (e.g. Unilever, P&G)
- b) Retailer brands
- c) Seasonal products
- d) Fresh products
- e) Other:

Appendix 9 - B | Stocker

Stocker

For whom are you working for?

Specify:

What is your job title?

Specify:

13. Which product categories have the highest frequency of replenishment?

- K. Grocery
- L. Frozen foods
- M. Dairy foods
- N. Fruit/Vegetables
- O. Meat/Fish
- P. Deli
- Q. Bakery/Pastry
- R. Charcuterie
- S. Beverages

T. HBC

14. When the product is received where does it go?

D. Floor

E. Backup (store room)

F. Other

15. When is product merchandised?

D. During trading hours

E. After hours

F. Both

16. Who is merchandising it?

D. Retailer staff (your employees)

E. Suppliers

F. 3rd parties

17. If you could choose one, where do you feel the most improvement is needed?

A. Stock ordering

B. Stock replenishment

C. Planogram design

D. Customer engagement

18. What type of instructions are given for replenishment?

e) Check-list

f) Planograms

g) App

h) Other:

19. Are any tech solutions used in this job?

c) Yes

a. Product codes

b. Tablets or other devices

c. Other:

d) No

Appendix 9 - C | Promoter

Promoter

For whom are you working for?

Specify:

What is your job title?

Specify:

20. Who is merchandising products in-store?

G. Retailer staff

H. Suppliers

I. 3rd parties

21. How do you engage with customers?

G. Sampling and demonstration

H. “Retailtainment” events in-store - guerrilla / stunts

I. Digital tool (eg. application, interactive displays)

J. Education/inspiration (informative leaflets, recipes, videos)

K. POS

L. Questionnaires

22. Which promotion format is the most popular among suppliers?

G. Sampling

H. Special Fridges

I. Ends of aisles

J. Posters / stickers on the floor / cardboard signs or stands

K. Coupons

L. Other:

23. If you could choose one, where do you feel the most improvement is needed?

E. Stock ordering

F. Stock replenishment

G. Planogram design

H. Customer engagement

24. Who provides you with the promotion plans/check-list?

- a) Retailer
- b) Brand manufacturer
- c) Event company
- d) Other:

25. Which brands of products engage more in promotions?

- f) Manufacturer brands (e.g. Unilever, P&G)
- g) Retailer brands
- h) Seasonal products
- i) Fresh products
- j) Other:

26. What type of technical services/solutions do you use in this job?

- a) None
- b) Product codes
- c) Survey apps (e.g. on a tablet)
- d) Other:

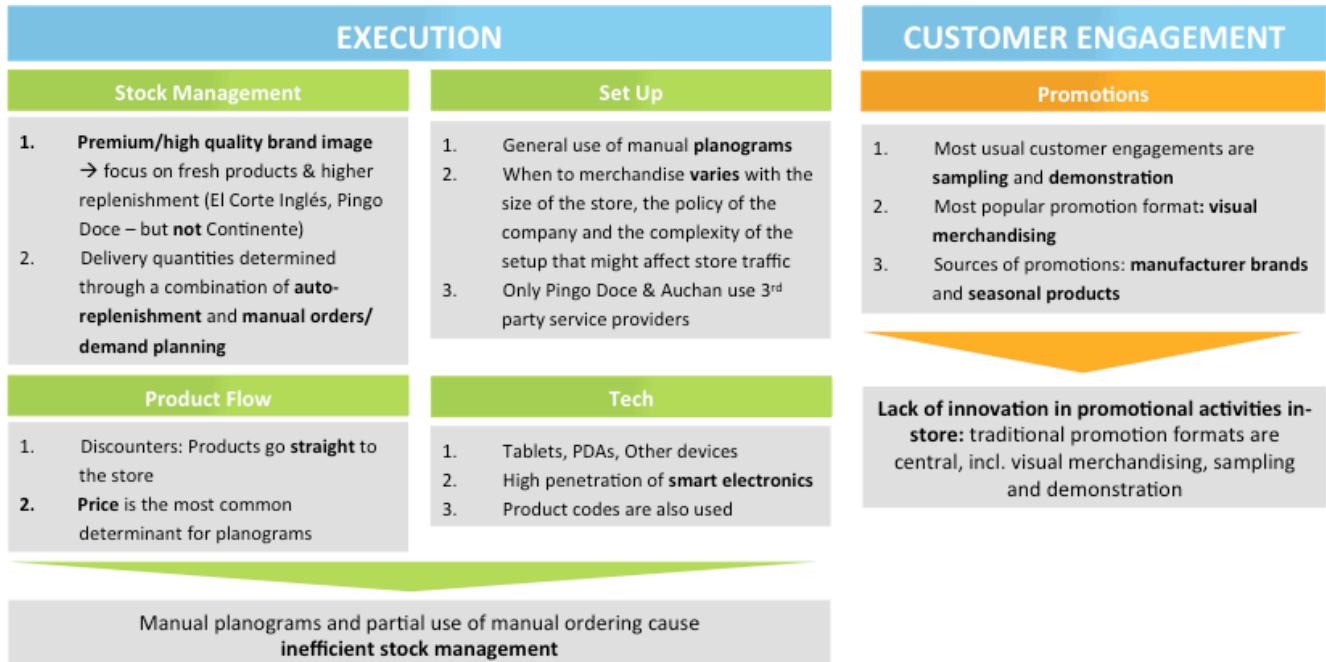
27. Who does the training for you (promoter)?

- a) The retailer
- b) Another service provider

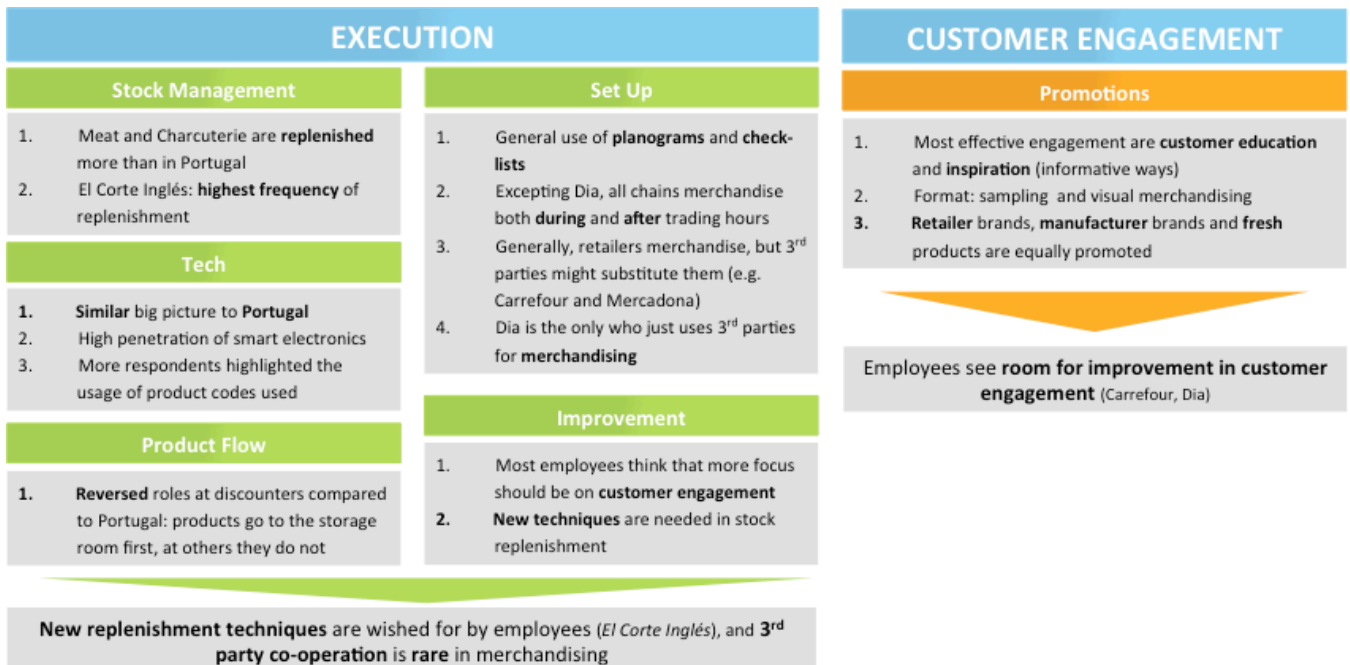
- Who?

Appendix 10 | Results of the questionnaires

Portugal



Spain



Appendix 11 | Scoring model

The scoring model was based on 14 questions: 9 concerning in-store execution and 5 concerning customer engagement. The answers were based on the questionnaires conducted among stores employees and our own observations. Scores are granted according to the scheme: yes = 1 point; no = 0 point, difficult to say/partially true = 0,5 point.

Every retailer could get a maximum score of 14 in case of a “yes” answer to all questions. However, to make it easier to compare and have the same scale for both in-store execution and customer engagement every score that resulted from the sum of points equally weighted was divided by number of questions and then multiplied by 10. Consequently, a scale from 0 to 10 was created, where the former represented the lowest and the latter the highest score possible.

Dimensions		Questions we answered		Assessment of every retailer											
				Portugal						Spain					
				Pingo Doce	Continente	Jumbo	Mini Preco	Lidl	El Corte Ingles	Carrefour	Mercadona	Dia	El Corte Ingles	Lidl	
Stock Management		1. Do they have no stock-outs on the shelves?													
		2. Do replenishers working during opening hours not disturb shoppers, even a bit?													
		3. Do they use planograms?													
Product Flow		4. Are all the products fresh, before expire date, not damaged (packaging) etc?													
		5. Is it easy to find products thanks to store lay-out?													
Set Up		6. Does shelf layout „friendly“ to shoppers eg. Easy to reach it?													
		7. Is there some electronic displays, tablets and other devices for customers in-store?													
Tech		8. Is there free wifi in-store?													
		9. Do replenishers use electronic devices in their job?													
Promotions		10. Do they organise demonstrations or sampling in-													
		11. Do they have POS materials attractive for shoppers?													
		12. Do they try to inspire, advise, entertain shoppers (recipice, instructions, consultants)?													
		13. Do they promote own labels?													
		14. Do they cooperate with 3rd party providers or													
		Average score for both instore execution and customer engagement		9	9	5	3	4	8	8	6	4	8	5	

Scale:

Yes









No

Difficult to say / Partially true

In-store execution		In-store customer engagement
Portugal		
-Pingo Doce	7,8	10
- Continente	7,8	10
- Mini Preço	2,8	3
- Lidl	6,7	3
- Jumbo	4,5	6
- El Corte Inglés	8,9	8
Spain		
- Mercadona	6,7	5
-Carrefour	8,9	8
- Dia	3,4	4
- Lidl	6,7	3
- El Corte Inglés	8,9	8

Appendix 12 | Benchmark analysis: services offered

Execution

								
Products replenishment	✓	✓	✗	✗	✗	✗	✗	✓
Merchandising	✓	✓	✓	✗	✓	✓	✗	✓
Inventory and replenishment management	✓	✓	✓	✗	✓	✓	✗	✓
Planograms development and implementation	✓	✗	✓	✗	✓	✓	✗	✓
POS placement	✓	✓	✗	✗	✓	✓	✗	✗
In-store execution evaluation (compliance / audit / mystery shopping)	✓	✓	✓	✓	✗	✓	✓	✓
Others		- Promotional packaging	- Implementations - Expiration dates' control - Orders' suggestions	- Analytics and solutions plan	- Production and storage of POSM	- Sales management - online execution, - Space gains/ Gap fills		

Customer engagement

	Interactions Customer Experience Marketing with loyalty	ClaraCunha, Lda MARCA REGISTADA 409 134	SOCI PRIME SÓCULOS A TENDÊNCIA 2020	RETAILNEXT COMPREHENSIVE IN-STORE ANALYTICS	HIGH score growth oriented total marketing	CPM INSIGHT - INFLUENCE - SALES	PromoWorks	SMOLLAN
Sampling and demonstrations	✓	✓	✓	✗	✓	✓	✓	✗
Retailtainment events	✓	✓	✗	✗	✓	✓	✓	✗
Digital tools development/implementation (e.g. Apps, interactive displays)	✓	✗	✗	✓	✗	✓	✓	✓
POS materials	✓	✗	✗	✗	✓	✓	✗	✗
Education/inspiration campaign (e.g. videos, recipes, informative leaflets)	✓	✗	✓	✗	✓	✓	✓	✗
Questionnaires	✓	✗	✗	✗	✗	✓	✓	✓
Others		- Sales animations - Modelling		- Analytics and solutions plan	- Recruitment of promoters - Mascots	- Integrated digital solutions - Active sales teams		

Appendix 13 | Presence in geographical markets

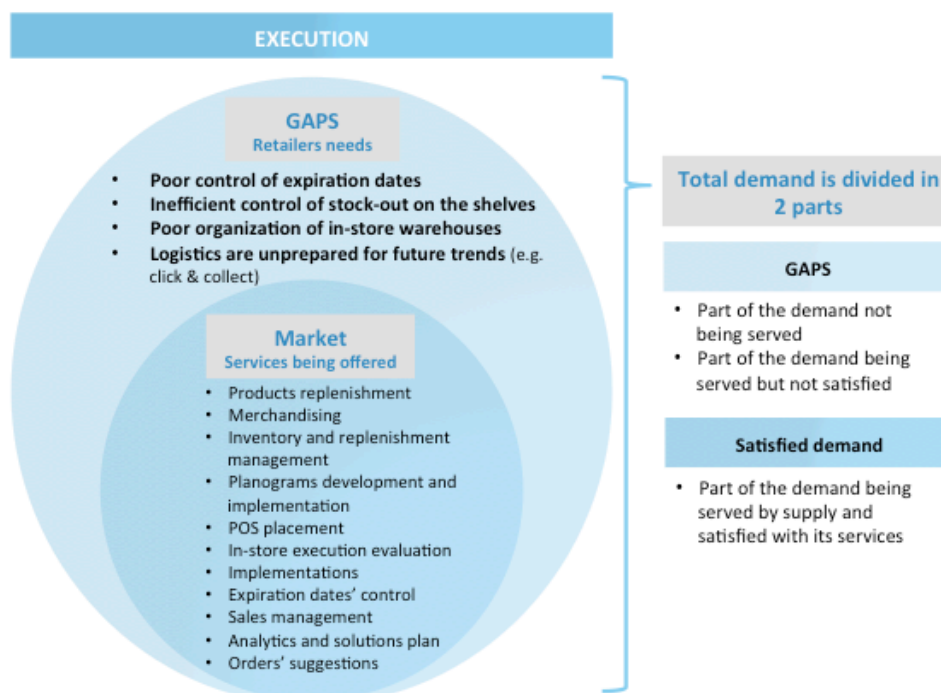
	Portugal	Spain
Interactions Customer Experience Marketing with loyalty	✓	✓
ClaraCunha, Lda MARCA REGISTADA 409 134	✓	✗
SOCI PRIME SÓCULOS A TENDÊNCIA 2020	✓	✗
RETAILNEXT COMPREHENSIVE IN-STORE ANALYTICS	✗	✓
HIGH score growth oriented total marketing	✓	✗
CPM INSIGHT - INFLUENCE - SALES	✗	✓

Appendix 14 | Benchmark analysis: Partners

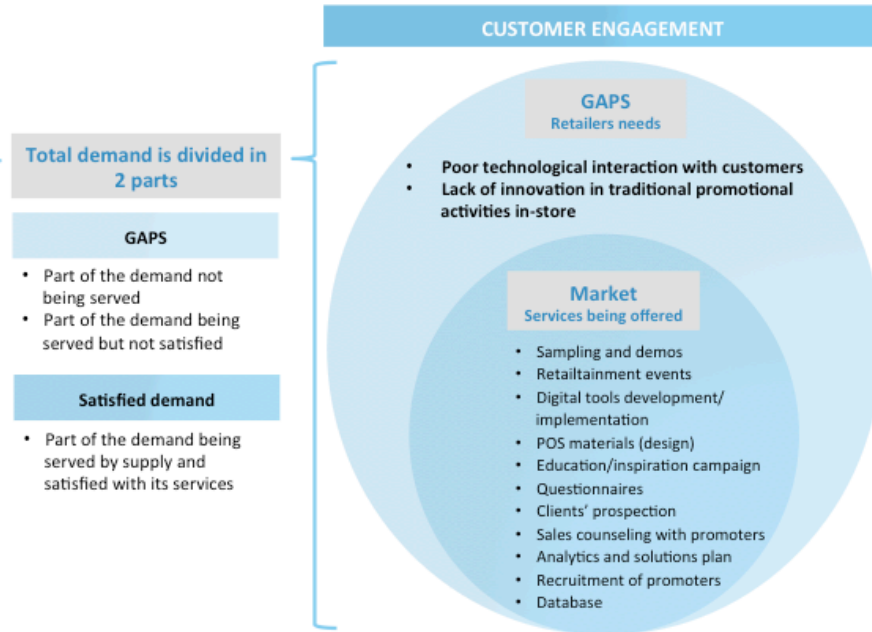


Appendix 15 | Gap analysis

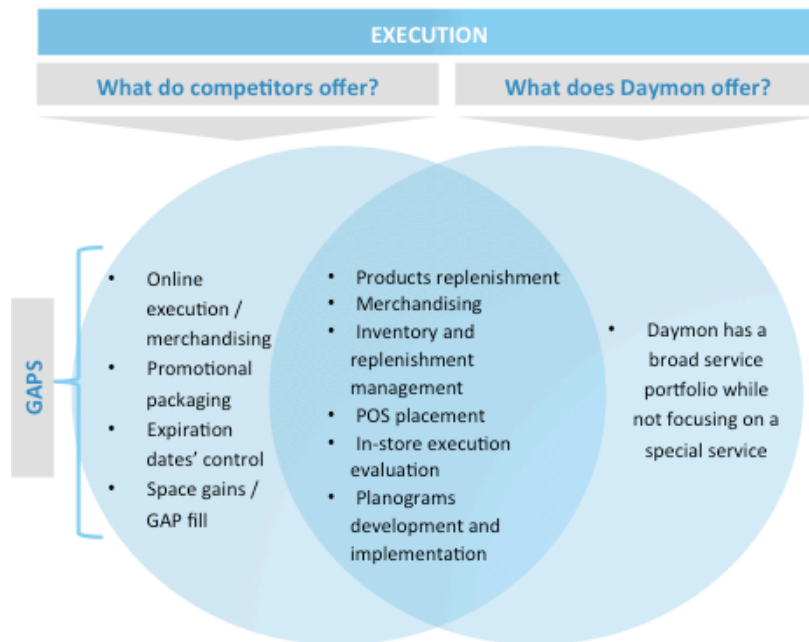
Appendix 15 - A | Source: Retailer needs VS Market offer



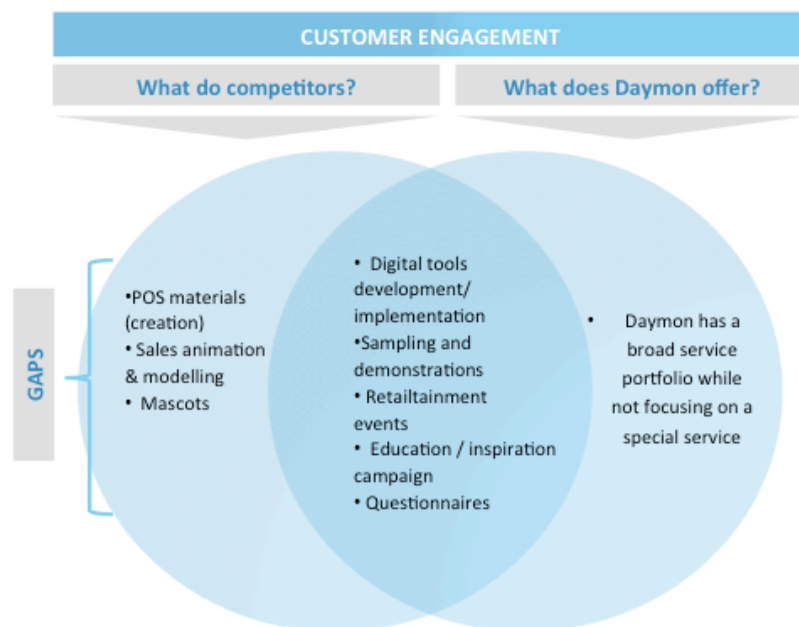
* No distinction for Portugal and Spain



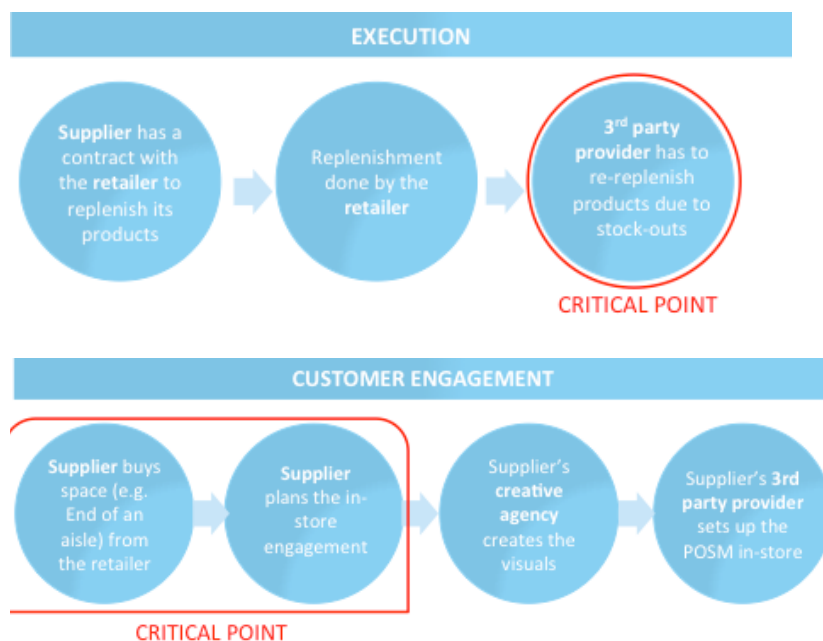
Appendix 15 - B | Source: Competitors offer VS DW Offer



* No distinction for Portugal and Spain





Appendix 15 - C | Source: Suppliers want VS Retailers offer



Appendix 16 | Go-to-market strategies

Appendix 16- A | Prioritization

Time	Type	Priority	Recommendation	Needs		
Short Term	Execution	1.	CLICK & COLLECT	As competitors already offer this, need to act fast not to lose the opportunity. Since the concept is already used, quick adaptations can be made	1. Pingo Doce	-
	Customer Engagement	2.	GAMIFICATION	Best practices in other countries are already shaping the market. Creative studios will help to engage customers more intensively with the products	1. Pingo Doce 2. El Corte Ingles	3. El Corte Ingles 4. Mercadona
		3.	MOBILE APP	There is already a base of applications out there but they need some intense readjustments to create the full value for the customers	1. Pingo Doce	2. Mercadona
Long Term	Execution	1.	RFID TAGS	Need to accumulate expertise within the technology; waiting till the technology becomes even more established and costs drop further	1. Pingo Doce 2. Minipreço	3. Mercadona 4. Dia
	Customer Engagement	2.	CUSTOMIZED MARKETING	Mobile app and gamification analytics can be leveraged in customized marketing. These also educate consumers to use mobile in-store, which benefits customized marketing	1. Pingo Doce 2. Continente	3. Carrefour
	General	3.	BUDGET SERVICE	Daymon needs to establish themselves first at the Portuguese market to find best practices and then expand to Spain.	1. Pingo Doce 2. Minipreço	3. SPAR 4. Condis 5. Consum

Type	Recommendation	Execution	Retailer	Go-to-market Strategy	Conflict of interests
Execution	RFID TAGS	Consultant	<ul style="list-style-type: none"> Pingo Doce Minipreco 	<ol style="list-style-type: none"> 1. Conduct analysis for the retailer's specific needs 2. Recommend a suitable RFID system and implementation plan 3. Assist retailer in the store-level integration to the technology 	LOW
	CLICK & COLLECT	Consultant	<ul style="list-style-type: none"> Pingo Doce 	<ol style="list-style-type: none"> 1. Approach Pingo Doce 2. Develop practical service 3. Test the concept 	LOW
	MOBILE APP	Consultant	<ul style="list-style-type: none"> Pingo Doce 	<ol style="list-style-type: none"> 1. Work on software specification 2. Cooperate with IT developer company 3. Rollout 	LOW
Customer Engagement	GAMIFICATION	Consultant	<ul style="list-style-type: none"> El Corte Ingles Pingo Doce 	<ol style="list-style-type: none"> 1. Research market for adaptation 2. Cooperate with hardware manufacturer 3. Consultancy – create content, update, maintain 	HIGH
	CUSTOMIZED MARKETING	Service	<ul style="list-style-type: none"> Continente Pingo Doce 	<ol style="list-style-type: none"> 1. Gain access to the loyalty card data 2. Fuel digital in-store activations 3. Educate customers how to use it 	MEDIUM
General	BUDGET SERVICE	Service	<ul style="list-style-type: none"> Pingo Doce Minipreco 	<ol style="list-style-type: none"> 1. Approach small Portuguese retailers 2. Develop best practices 3. Enter the Spanish market 	LOW

Type	Recommendation	Execution	Retailer	Go-to-market Strategy	Conflict of interests
Execution	RFID TAGS	Consultant	<ul style="list-style-type: none"> Mercadona Dia 	<ol style="list-style-type: none"> 1. Conduct analysis for the retailer's specific needs 2. Recommend a suitable RFID system and implementation plan 3. Assist retailer in the store-level integration to the technology 	LOW
	CLICK & COLLECT	Consultant	<ul style="list-style-type: none"> - 	<ol style="list-style-type: none"> 1. Approach Pingo Doce 2. Develop practical service 3. Test the concept 	LOW
	MOBILE APP	Consultant	<ul style="list-style-type: none"> Mercadona 	<ol style="list-style-type: none"> 1. Work on software specification 2. Cooperate with IT developer company 3. Rollout 	LOW
Customer Engagement	GAMIFICATION	Consultant	<ul style="list-style-type: none"> El Corte Ingles Mercadona 	<ol style="list-style-type: none"> 1. Research market for adaptation 2. Cooperate with hardware manufacturer 3. Consultancy – create content, update, maintain 	HIGH
	CUSTOMIZED MARKETING	Service	<ul style="list-style-type: none"> Carrefour El Corte Ingles 	<ol style="list-style-type: none"> 1. Gain access to the loyalty card data 2. Explore and create new promotional formats 3. Education of the customers how to use it 	MEDIUM
General	BUDGET SERVICE	Service	<ul style="list-style-type: none"> SPAR Condis Consum 	<ol style="list-style-type: none"> 1. Approach small Portuguese retailers 2. Develop best practices 3. Enter the Spanish market 	LOW

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